

SOVIET ECONOMIC SHAKEUP

I. In Dec, Central Committee fired planner Saburov.

- A. '56 goal failures in coal, metals, cement, timber (all needed for expanding industry) may have been cause.
- B. But high-level makeup of new group (under Pervukhin) implies broader motive.

- 1. Pervukhin (rank: 1st Deputy Premier) is expert in electricity, chemicals: five of other six were Deputy Premiers also, practical experts (not planners):
 - a. Kosygin - light industry
 - b. Malyshev - heavy industrial technology.
 - c. Khrunichev - armaments.
 - d. Kucherenko - construction.
 - e. Matskevich - agriculture.

- 2. Group told to submit "revised" Five Year Plan by mid-'57.

II. Reason for study--new pressures on Sov economy:

- A. Cost to Sovs of Satellites, since Oct '56, some \$2 billion.
 - 1. Polish, Rumanian debt cancellations, alone, \$1.3 billion.
 - 2. Future costs sure to be higher.
- B. At home, leaders want to increase military spending--Khrushchev (New Year): new arms needed in view capitalists' "feverish arms race".
 - 1. 1.2 million army cut halted.
 - 2. Yet ex-soldiers badly needed in labor force.
- C. Same time, need for improved public morale and worker productivity requires expansion in Sov housing construction, consumer goods.

III. Leadership: Plenum results suggest Khrushchev still dominant.

NSC BRIEFING

2 January 1957

SOVIET ECONOMIC SHAKEUP

- I. Outcome of Sec. Central Committee meeting in Moscow suggests that Soviet regime has not yet decided how to meet current increasingly severe economic pressures. Pressures have arisen from various sources:
 - A. One is changing Soviet relationships with the Satellites-- which already is costing the USSR dearly in money and resources.
 - B. Another is pressure inside the USSR to maintain and perhaps even increase the level of military expenditures above present plans--Khrushchev, on New Year's Day, plugged Soviet arms needs in view of capitalists' "feverish arms race".
 - C. A third is internal pressure to expand Soviet production of housing and consumer goods more rapidly than planned, to undercut popular discontent, improve morale and increase the productivity of workers.
- II. Against background these pressures, Soviet leaders have fired their chief economic planner, presidium member N. S. Saburov, instead set up a new very high level group under presidium member and first deputy premier N. S. Pervukhin.
 - A. This restaffed "State Economic Commission for Current Planning" is to submit "revised" version of 6th Five Year Plan for approval during first half of 1957.
 - B. In addition to Pervukhin, five of the other men newly assigned to the "current planning" group were of deputy premier rank.

1. Between them, these top officials (Kosygin, Malyshev, Khrushchev, Kucherenko, Matskevich) represent just about all important branches of the Soviet economy.
2. More significantly, each has had years of experience in practical industrial administration (as opposed to theoretical planning).

III. Guidelines set for the new group seem vague. However:

- A. They emphasize need for continued primary emphasis on heavy industry in race to "catch up with West".
- B. Call for cutback of unknown size in a number of capital investment projects, and presumably concentration of investment in other fields, particularly basic raw materials.
- C. Also order planners "to find ways to allocate additional means" to construction of housing but contain no specific promises for the Soviet consumer.

1. Rumors prior to plenum meeting claimed significant increase in housing and possible for step-up in consumer goods would be made.

2. However, this rumored decision apparently has been postponed.

IV. One measure of difficulties facing Pervukhin and his new high-level group is cost to date of changes in Soviet-Satellite political relations since Oct '56.

- A. Loans, credits and debt cancellations to the benefit of the Satellites now total close to \$2 billion!
- B. Cancellation of old Polish and Rumanian debts, for example, means loss of some \$1.3 billion.

- C. Similarly, reductions in Soviet imports from Satellites--
examples: Polish coal and Hungarian bauxite--will make for
raw materials pinch in USSR.
- D. Yet adjustments in Soviet-Satellite economic relations are only
at the beginning: future costs to the USSR will certainly be
higher.
- V. Among internal Soviet problems, we have evidence that reductions of
manpower in Soviet armed forces is being halted.
 - A. This source of additional labor had aimed at compensating for
the declining rate of entry of youths into labor-force (due
lower birth rates of WW II), as well as permitting shortened
(40 hour) work-week.
- VI. All these pressures on Soviet economy come at time when it is clear
some other elements of 1956 economic plan will not meet goals.
 - A. Planned increases in output for coal, metals, cement and timber
will not be met, although 1956 output will surpass that of
1955.
 - B. These shortfalls are slight, but indicate a trend which strain
the "raw material base" required for industrial expansion.
- VII. Results of December plenum suggest that Khrushchev is still dominant.
Evidence supporting this:
 - A. Communique's reiteration of main policy lines laid down at
20th Party Congress.
 - B. Top administrators and specialists named to new planning
commission have long served on Khrushchev-Bulganin team.

- C. Appointment of Pervukhin, in particular, is in line with earlier indications he has been steadily improving position over past two years.**

VIII. Some facts (at present less weighty) do suggest that Khrushchev leadership may be weakened.

- A. Khrushchev himself did not figure personally in public statements emanating from plenum meeting.**
- B. There has been no mention of serious political problems (such as Hungary and Poland) which meeting may have discussed.**
- C. Evident lack of immediate basic decisions by plenum may indicate significant differences of views--developed prior to or during the meeting--and not resolved by plenum.**